

- Šiaulių Bankas Group earned EUR 20.9 million of unaudited net profit in the first half of this year.
- The loan portfolio increased by EUR 88 million in the second quarter and reached EUR 1.76 billion which is by 16 per cent more than a year ago.
- Overcoming the challenges of the pandemic, the Bank Group ensured the continuous provision of all services to customers in customer service points and remotely, and offered support solutions to residents and businesses affected COVID-19.
- Following the highest standards of corporate governance, two more independent members elected to the Bank's Supervisory Council.

Šiaulių Bankas Group earned EUR 20.9 million of unaudited net profit in the first half of this year (at the same time last year - 27.8 million euros). Operating profit before impairment and income tax for the first six months of this year amounted to almost EUR 34 million which is by 2% more than in the corresponding period last year.

Net interest income increased by 10% compared to the first half of 2019 and amounted to EUR 37.4 million. Net fee and commission income decreased moderately to EUR 7.7 million and was 8 per cent less than in the first half of last year.

During the second quarter a negative development outlook of the country's economy this year led to the additional provisions of EUR 3.4 million formed for possible impairment losses making the half-year provisions amount to EUR 8.3 million. The half-year cost-of-risk ratio (CoR) stood at 1.0%, although, according to the forecasts updated at the end of the first quarter, it was expected the annual ratio would reach 1.4%.

The efficiency of the Bank Group's operations remains high - the cost / income ratio did not reach 37% at the end of June, and the return on equity exceeded 13%.

The capital and liquidity positions remain sound and prudential requirements are met with a large reserve - with a liquidity coverage ratio (LCR) of 223% * and a capital adequacy ratio (CAR) of 18.7% *. (*Forecast indicators).

Overview of Business Segments

Business and Consumer Financing

The loan and finance lease portfolio totalled EUR 1.76 billion, which was by 5% more than at the end of Q1 and by 16% more than a year ago. In Q2, the growth of the loan portfolio was mainly influenced by increased activity in the housing loan market and the acquisition of the mortgage loan portfolio of private customers of the Lithuanian branch of Danske Bank A/S in amount of EUR 121 million. The mortgage loan portfolio reached EUR 247 million at the end of the half-year compared to EUR 65 million a year ago. Uncertainty caused by the pandemic reduced lending to business - the corporate loan portfolio decreased by 2% during the quarter to EUR 1.12 billion. The Bank was one of the first in the market to provide loans under state business aid programmes to the companies facing financial challenges caused by the COVID-19 pandemic. From the start of quarantine till the end of the aid programmes, loans amounting to EUR 46.5 million were signed with more than 500 companies. The issuance of these loans will have a positive effect on commission income.

By 30th June, Šiaulių Bankas postponed credit repayments to 675 customers who faced financial difficulties caused by the COVID-19 virus pandemic. Business clients - 426 companies - account for the largest amount of loan deferrals (EUR 227 million), credit repayments were also temporarily delayed for 249 private customers (EUR 8 million). The moratoriums have been extended until 30th September, therefore the Bank Group is still receiving requests for deferral, however, the number of clients filling applications for a grace period is relatively low. Companies in the real estate, accommodation and catering,

wholesale and retail sectors mainly applied for aid, while private clients applied mainly for deferral of mortgage, leasing and real estate loan repayments.

In Q2, the European Investment Bank (EIB) selected Šiaulių Bankas for the establishment of a EUR 200 million multi-apartment building renovation fund. The terms of the cooperation agreement between the Bank and the EIB are currently being negotiated in line with negotiations conducted with senior and junior debt investors to the fund's equity. With almost 10 years of experience and being a market leader in renovation financing, the Bank has all the necessary infrastructure and know-how to lend the funds raised for the modernisation of multi-apartment buildings.

Daily banking

During the quarantine Šiaulių Bankas provided all the banking services in the customer service units, i.e. did not limit itself to the basic services only. However, the Bank reduced the number of operating units, thus, the volume and income of cash transactions, currency conversion, settlements decreased. As of 1st June, all service units of the Bank were already operating at their normal business hours. During this period, the volumes of business lending inquiries started to grow again, and the sales recovered. Household expectations returned to the pre-quarantine level, together with consumption and credit demand. During the quarantine, part of clients started to use more digital channels - internet banking and mobile app. After quarantine, about 25% more customers consult on banking services remotely.

Saving and Investing

The deposit portfolio exceeded EUR 2.17 billion in Q2 with a growth of 2% compared to the end of Q1 and 10% compared to the end of June last year. Most of deposit portfolio growth came from customers demand deposits, which increased by EUR 160 million in the first half of the year.

During the ECB's TLTRO III operation in June the Bank borrowed EUR 150 million for the 3-year term. This has further diversified Bank's funding sources. In order to use the funds efficiently, the proceeds were immediately invested in government securities, while the ECB loan will ensure the funding for the Bank's growth in the future.

Other news

Following the highest standards of corporate governance and transparency, two more independent professionals with extensive experience in the financial sector - Adriano Arietti and Susan Gail Buyske - were elected to the Šiaulių bankas team of the Supervisory Council. After receiving permission of the supervisory authority, the Supervisory Council will consist of 8 members, 5 of whom will be independent. The Bank aims to continue to improve the corporate governance of the Group, based on the best global practice.

Life insurance company Bonum Publicum owned by Šiaulių Bankas changed its name to SB Draudimas from 1 July. The change was driven by the closer integration with Šiaulių Bankas and based on a group-wide image strategy of being closer to the customer and offering customers all financial services of the group companies in-house.